



State of California

Franchise Tax Board

4905 Booklet

Offer In Compromise

What you should know before preparing an Offer in Compromise

Are you an OIC Candidate?

The Offer in Compromise (OIC) program is for taxpayers who do not have, and will not have in the foreseeable future, the income, assets or means to pay their tax liability. It allows a taxpayer to offer a lesser amount for payment of a **non-disputed final tax liability**.

Generally, we approve an Offer in Compromise when **the amount offered represents the most we can expect to collect within a reasonable period of time**.

Although each case is evaluated based on its own unique set of facts and circumstances, we give the following factors strong consideration in the evaluation:

- The taxpayer's ability to pay
- The amount of equity in the taxpayer's assets
- The taxpayer's present and future income
- The taxpayer's present and future expenses
- The potential for changed circumstances

Can We Process Your Application?

We will only process your Offer in Compromise application if you have done all of the following:

- You have filed all of the required tax returns. If you have no filing requirement, note it on the application.
- You have fully completed the Offer in Compromise application, and provided all supporting documentation.
- You agree with the Franchise Tax Board (FTB) on the amount of tax you owe.

Will a Collateral Agreement be Required?

Upon approval, we may require you to enter into a collateral agreement for a term of five years. Generally, a collateral agreement will be required in cases when the taxpayer has significant potential for increased earnings. A collateral agreement requires a taxpayer to:

- Pay to FTB a percentage of future earnings that exceed an amount agreed upon by the taxpayer and FTB.

Is Collections Suspended?

In most cases, collection action will be suspended until the Offer in Compromise evaluation is completed. However, submitting an offer does not automatically suspend collection activity. If delaying collection activity jeopardizes our ability to collect the tax, we may continue with collection efforts.

When Should Offered Funds be Submitted?

You should not submit the offered funds until we request them. When we do ask for the funds, submit them by cashiers check or money order.



The following documentation must be submitted with your Offer In Compromise Application or your application may be returned as incomplete. Please submit copies only. We will not return any documents that you send us. Indicate if any of the items below are not applicable. Additional documentation may be required and requested as the evaluation of the Offer in Compromise proceeds.

Check List of Required Items

- ☐ **Verification of Income**
Pay stubs for the past three months or financial statements for the past two years if you are self-employed
- ☐ **Verification of Expenses**
Billing statements for the last three months (Include copies of revolving charge card statements, bills from other creditors and personal loan statements)
- ☐ **Bank Information**
Bank statements for savings and checking accounts for the last six months (If you are self-employed, provide bank statements for the last twelve months. Include any accounts that have been closed)

Investment account statements showing the value of stocks, bonds, mutual funds and/or retirement or profit sharing plans (IRA, 401K, Keogh, Annuity)
- ☐ **Current Lease or Rental Agreements**
- ☐ **Real Property Information**
Mortgage statements and escrow statements for property you currently own, sold, or gifted in the last five years
- ☐ **IRS Information**
If applicable, copy of IRS OIC and acceptance letter or other IRS arrangements
- ☐ **Legal Documents**
Marital settlement agreements, divorce decrees, marital property settlements, trust documents, and bankruptcy documents
- ☐ **Power Of Attorney**
Power of attorney if this offer is submitted by a designated representative

Mail your completed and signed application to:

Franchise Tax Board
Offer In Compromise Group H081
PO Box 2952
Sacramento CA 95812-2952

If you have questions other than those answered on the last page of this booklet, please visit our website at www.ftb.ca.gov and see our Offer in Compromise web pages under “Bills and Notices”, or contact the Offer in Compromise program at (916) 845-4787.

Note: Complete all blocks, except shaded areas. Write "N/A" (*Not Applicable*) in those blocks that do not apply.

Section 1. Personal Information

First name	MI	Last name	Social security number	Date of birth

Other names or aliases ever used

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Spouse's first name	MI	Last name	Spouse's SSN	Date of birth

Other names or aliases ever used

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Taxpayer's drivers license number	State	Spouse's drivers license number	State

Dependents name	Date of birth	Social security number	Relationship

Current address

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Phone Number: ()

Previous address if at current address less than 2 years

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Name and address of your tax representative (Please attach a Power of Attorney)

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Section 2. Employment Information

Taxpayer's employer or business (name and address):
Business phone number: ()

How long employed: Year(s) Month(s)

Occupation: _____

Wage earner ☐ Sole proprietor ☐ Partner ☐

Paid: Weekly ☐ Biweekly ☐ Monthly ☐ Semimonthly ☐

Number of exemptions claimed on Form W-4 or DE-4 _____

Spouse's employer or business (name and address):
Business phone number: ()

How long employed: Year(s) Month(s)

Occupation: _____

Wage earner ☐ Sole proprietor ☐ Partner ☐

Paid: Weekly ☐ Biweekly ☐ Monthly ☐ Semimonthly ☐

Number of exemptions claimed on Form W-4 or DE-4 _____

Section 3. General Financial Information

Bank Accounts (include IRA and retirement plans, certificates of deposit, etc.). Attach additional pages as needed.

Name of Institution	Address	Type	Date Opened	Account Number	Balance
Total. Enter this amount on line 2, Section 4 (Asset and Liability Analysis) >>					

Vehicles. Attach additional pages as needed.

Year, Make, Model, License Number	Lender / Pink Slip Holder	Current Market Value	Current Payoff	Available Equity
Total. Enter this amount on line 3, Section 4 (Asset and Liability Analysis) >>				

Life Insurance. Attach additional pages as needed.

Name of Insurance Company	Agent's Name and Phone Number	Policy Number	Type	Face Amount	Loan/Cash Surrender Value
Total. Enter this amount on line 4, Section 4 (Asset and Liability Analysis) >>					

Securities (stocks, bonds, mutual funds, money market funds, securities, etc.). Attach additional pages as needed.

Type	Where Located	Owner of Record	Quantity or Denomination	Current Value
Total. Enter this amount on line 5, Section 4 (Asset and Liability Analysis) >>				

Safe deposit boxes rented or accessed (*locations, box numbers and contents*). Attach additional pages as needed.

Name of Institution	Address	Box Identification	Current Value of Assets
Total. Enter this amount on line 6, Section 4 (Asset and Liability Analysis) >>			

Real Property (include a copy of the deed). Attach additional pages as needed.

<p>A) Physical address and description: <i>(Single family dwelling, multi family dwelling, lot, etc.)</i></p>	<p>Mortgage lender's name and address:</p>	
	<p>How is title held: _____</p>	
<p>Parcel number:</p>	<p>Purchase price:</p>	<p>Purchase date:</p>

Section 3. General Financial Information Continued

B) Physical address and description: *(Single family dwelling, multi family dwelling, lot, etc.)*

Parcel number:

Mortgage lender's name and address:

How is title held: _____

Purchase price: _____ Purchase date: _____

C) Physical address and description: *(Single family dwelling, multi family dwelling, lot, etc.)*

Parcel number:

Mortgage lender's name and address:

How is title held: _____

Purchase price: _____ Purchase date: _____

Charge cards and lines of credit. Attach additional pages as needed.

Type of Account	Name and Address of Credit Grantor	Monthly Payment	Credit Limit	Credit Available	Amount Owed
Total.					
Total. Enter this amount on line 22, Section 4 (Asset and Liability Analysis) >>					

Please provide other information relating to your financial condition. If yes is checked, please provide dates, explanation and documentation.

Court Proceedings	No <input type="checkbox"/>	Yes <input type="checkbox"/>	
Repossessions	No <input type="checkbox"/>	Yes <input type="checkbox"/>	
Anticipated increase in income	No <input type="checkbox"/>	Yes <input type="checkbox"/>	
Bankruptcies / Receiverships	No <input type="checkbox"/>	Yes <input type="checkbox"/>	
Recent transfer of assets	No <input type="checkbox"/>	Yes <input type="checkbox"/>	
Beneficiary to Trust, Estate, Profit Sharing, etc.	No <input type="checkbox"/>	Yes <input type="checkbox"/>	
Last California Income Tax Return Filed	Year: <input type="text"/>		
Total number of exemptions claimed:	<input type="text"/>		
Adjusted gross income from return:	<input type="text"/>		

List any vehicles, equipment, or property sold, given away or repossessed during the past three years.

Description: Year, make, model of vehicle or property address	Who took possession	Value

Section 4. Asset and Liability Analysis

Immediate Assets

1. Cash	
2. Bank Accounts / Balance <i>(from section 3)</i>	
3. Vehicles / Available Equity <i>(from section 3)</i>	
4. Loan / Cash Surrender value of life insurance <i>(from section 3)</i>	
5. Securities <i>(from section 3)</i>	
6. Safe deposit box value of contents <i>(from section 3)</i>	

Total Immediate Assets >>

Real Property *(from section 3)*

Address or location	Current Market Value	Mortgage Payoff Amount	Equity
7. A)			
8. B)			
9. C)			

Total Equity >>

Other Assets

10. Notes	
11. Accounts Receivable	
12. Judgments / Settlements Receivable	
13. Aircraft, Watercraft	
14. Interest in Trusts	
15. Interest in Estates	
16. Partnership Interests	
17. Other Assets	
18. Other Assets	
19. Other Assets	
20. Other Assets	

Total Other Assets >>

21. Sum Total of Assets (Immediate, Equity and Other)

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Current Liabilities *(Including judgments, notes, and other charge accounts. Do NOT include vehicle or home loans)*

22. Lines of Credit (Amount Owed) <i>(from section 3)</i>	
23. Taxes owed to IRS (Provide a copy of recent notices)	
24. Other Liabilities	
25. Other Liabilities	
26. Other Liabilities	
27. Other Liabilities	

Total Liabilities >>

Section 5. Monthly Income and Expense Analysis

Income

	Gross	Net	FTB use only
28. Wages / Salaries (Taxpayer)			
29. Pension (Taxpayer)			
30. Overtime / Bonuses / Commissions (Taxpayer)			
31. Wages / Salaries (Spouse)			
32. Pension (Spouse)			
33. Overtime / Bonuses / Commissions (Spouse)			
34. Business Income			
35. Rental Income			
36. Interest / Dividends / Royalties (Average Monthly)			
37. Payments from Trusts / Partnerships / Entities			
38. Child Support			
39. Alimony			
40. Unemployment			
41. Disability			
42. Other income			
43. Other income			
Total Income >>			

Expenses

	Amount	FTB use only
44. Rent / Mortgage		
45. Real Estate Taxes		
46. Home Insurance: () Association Fees: ()		
47. Groceries, number of people: ()		
48. Utilities		
49. Electric: () & Phone: ()		
50. Gas: () & Water: ()		
51. Trash: () & Sewer: ()		
52. Auto Payments		
53. Auto Insurance		
54. Gasoline, number of miles to work: ()		
55. Life / Health Insurance (if not deducted from your paycheck)		
56. Medical Payments (not covered by insurance)		
57. Estimated Tax Payments (if not deducted from paycheck)		
58. Court Ordered Payments (alimony, child support, restitution)		
59. Garnishments (if not deducted from your paycheck)		
60. Delinquent Tax (non-FTB)		
61. Other Expenses		
62. Other Expenses		
63. Other Expenses		
Total Expenses >>		

64. Net Difference (Total Income Less Expenses)

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Section 6. Three Year Income Summary

Gross Income

Source	Year:()	Year:()	Current Year To Date	FTB Use
Wages / Salaries (Taxpayer)				
Pension (Taxpayer)				
Overtime / Bonuses / Commissions (Taxpayer)				
Wages / Salaries (Spouse)				
Pension (Spouse)				
Overtime / Bonuses / Commissions (Spouse)				
Business Income				
Rental Income				
Interest / Dividends / Royalties				
Payments from Trusts / Partnerships / Entities				
Child Support				
Alimony				
Unemployment				
Disability				
Other Income				
Other Income				
Other Income				
Other Income				
Other Income				
Totals				

Section 7. Basis for the Offer

The following facts and reasons are submitted as grounds for acceptance of this offer. Attach additional pages as needed.

[illegible]

Section 8. Source of Funds

If any or all of the amount being offered is from a loan, please provide the following information:

Lender's name

Total amount of the loan:

If any or all of the amount being offered is from a gift, please provide the following information:

Gift donor's name

Total amount of the gift:

Relationship to donor:

Describe sources of offered funds other than a loan or a gift:

If this Offer in Compromise is denied, the Franchise Tax Board is to:

- ☐ Retain any amount deposited and credit it to the current tax liability.
- ☐ Return the amount deposited.

Section 9. Offer Amount

Amount Owed to the Franchise Tax Board:

Tax Years:

The sum of:

is offered in compromise. (The FTB will instruct you when to mail the offer amount. DO NOT SEND ANY FUNDS NOW).

It is understood that this offer will be considered and acted upon in due course. It does not relieve the taxpayer(s) of the liability sought to be compromised until the offer is accepted by the Franchise Tax Board and there has been full compliance with all agreements.

Except for any amount deposited in connection with this offer, it is agreed that the Franchise Tax Board will retain all payments and credits made to the account for the periods covered by this offer. In addition, the Franchise Tax Board will retain any and all amounts to which the taxpayer(s) may be entitled under the California law, due through overpayments of tax, penalty or interest, subsequent to the offer being accepted, not to exceed the liability.

It is further agreed that upon notice to the taxpayer(s) of the acceptance of the offer, the taxpayer(s) shall have no right to contest in court or otherwise the amount of the liability sought to be compromised. No liability will be compromised until all obligations of each taxpayer under the compromise agreement or collateral agreement are completely performed. In the event of a default by the taxpayer(s) on the collateral agreement, it is agreed that the Franchise Tax Board may disregard the amount of the offer and retain all amounts previously deposited under the offer and proceed to collect the balance of the original liability.

Under penalty of perjury, I declare that I have examined the information given in this statement and all other documents included with this offer and to the best of my knowledge and belief, they are true, correct, and complete.

Your signature

Date

Spouse's signature

Date

Questions and Answers

Q What does the Franchise Tax Board consider a fair offer in relation to the amount due?

A Generally, an offer will be accepted when the amount offered is more than the Franchise Tax Board can expect to collect within a reasonable period of time.

Q How long will it take to get a decision on my OIC?

A Generally, if we accept your offer for processing, we will have a decision to you within 90 days after receiving your offer. If your account is more complex, it may take longer than 90 days.

Q What is a collateral agreement?

A A collateral agreement is a contractual agreement between you and FTB. By signing the agreement, you agree to pledge to FTB a percentage of your income that exceeds an amount agreed upon by you and FTB. Generally, the collateral agreement period is five years.

Q Can I make payments on the offered amount?

A No, we require full payment of the offered amount at the time the offer is submitted for approval.

Q Can prior payments be applied to the offered amount?

A No, prior payments are not accepted towards the offered amount. However, prior payments and the offered amount compared to the total liability are taken into consideration when evaluating your offer.

Q My IRS OIC has been accepted. Will the FTB automatically approve my offer?

A No, your FTB offer will be evaluated separately from your IRS offer, and generally, if the amount of the offer represents the most that we can expect to collect within a reasonable period of time, we will accept your offer.

Q If the Franchise Tax Board determines that my offer is not acceptable, will I be contacted?

A In most cases, we will contact you to discuss your account and to determine the most appropriate resolution. For example, if we determine that you have the ability to make monthly payments which will exceed the amount offered, we will work with you to establish an installment agreement.

Q If my offer is approved, will I have to sign a collateral agreement?

A If you are on a fixed income or have limited potential for increased earnings, a collateral agreement will generally not be required.

Q I am single now. If I marry while the collateral agreement is in effect, how will this affect me?

A If you marry while the collateral agreement is in effect, we will review any joint tax returns you are required to file. Generally, we consider your joint annual income in the collateral agreement. If you are married and filing a separate income tax return, the evaluation will be based on your separate income.

Q Will state tax liens be released if my offer is accepted?

A Generally, we release state tax liens upon final approval of your Offer in Compromise.

Q Do I need to have someone represent me?

A Representation is not required. The Offer in Compromise program is available to all taxpayers, whether or not they are represented. If you think you need representation, there are many tax professionals who have experience with the OIC process.

Q Can I get relief from the tax liability by filing bankruptcy?

A Part or all of your taxes may be dischargeable under the bankruptcy code. If this is a consideration, you may want to seek legal advice.

